

RX 8

From: Hal H. Chappelle <hchappelle@AltaMesa.net> on behalf of Hal H. Chappelle <hchappelle@AltaMesa.net>
Sent: Sunday, August 13, 2017 11:15 PM
To: Michael A. McCabe <mmccabe@AltaMesa.net>
Subject: Re: Reduced Rig Case Model
Attach: image001.png; image002.png

So is the guidance "between 35,000 and 40,000 BOE/day" and "\$350-\$370 MM ebitdax"?

Sent from my iPhone

On Aug 13, 2017, at 6:11 PM, Tamara Alsarraf <talsarraf@AltaMesa.net> wrote:

Yes, I left Sep and Oct alone, so that there is only \$4MM negative cash flow in Sep-Oct, which includes \$3MM of acquisitions in that period. The net debt leverage ratio is still below 1.0x at YE17 with \$100mm sale of Weeks Island and only \$7MM of acquisitions in Sep-Dec.

Here is the summary with 7 rigs in Dec:
 <image002.png>

From: Michael A. McCabe
Sent: Sunday, August 13, 2017 6:06 PM
To: Tamara Alsarraf <talsarraf@AltaMesa.net>; Tim Turner <tturner@AltaMesa.net>
Cc: Hal H. Chappelle <hchappelle@AltaMesa.net>; Kevin J. Bourque <kbourque@AltaMesa.net>
Subject: RE: Reduced Rig Case Model

Is this cash flow neutral?

From: Tamara Alsarraf
Sent: Sunday, August 13, 2017 6:05 PM
To: Tim Turner <tturner@AltaMesa.net>
Cc: Hal H. Chappelle <hchappelle@AltaMesa.net>; Kevin J. Bourque <kbourque@AltaMesa.net>; Michael A. McCabe <mmccabe@AltaMesa.net>
Subject: RE: Reduced Rig Case Model

Ok. I'll do 77.5%. This version below has \$361MM 2018 EBITDAX at consensus. Are we okay with 8 rigs in Dec or should I drop that down to 7?

<image001.png>

From: Tim Turner
Sent: Sunday, August 13, 2017 6:01 PM
To: Tamara Alsarraf <talsarraf@AltaMesa.net>
Cc: Hal H. Chappelle <hchappelle@AltaMesa.net>; Kevin J. Bourque <kbourque@AltaMesa.net>; Michael A. McCabe <mmccabe@AltaMesa.net>
Subject: Re: Reduced Rig Case Model

Can you bump interest to 80% or even 77.5% for 2018? I think we'll have lots of flexibility.

Tim

On Aug 13, 2017, at 5:57 PM, Tamara Alsarraf <talsarraf@AltaMesa.net> wrote:

Ok just found one that works. If we go to 8 rigs by YE17 and don't drill any BCE wells in Nov/Dec, then we can get to \$348MM EBITDAX using consensus deck. Assuming 75% WI on average for all new wells.
 Kevin – do you agree with the drilling & completions schedule below?

<image001.png><image002.png>
 <image003.png>

From: Tim Turner
Sent: Sunday, August 13, 2017 5:55 PM
To: Tamara Alsarraf <talsarraf@AltaMesa.net>
Cc: Hal H. Chappelle <hchappelle@AltaMesa.net>; Kevin J. Bourque <kbourque@AltaMesa.net>; Michael A. McCabe <mmccabe@AltaMesa.net>
Subject: Re: Reduced Rig Case Model

Are you using 75% WI? Maybe try Hal's earlier suggestion of higher WI after closing?

Tim

On Aug 13, 2017, at 5:49 PM, Tamara Alsarraf <talsarraf@AltaMesa.net> wrote:

I don't think I can add frac crews in Sep and Oct. I had already moved those completions out to Nov/Dec to keep the leverage ratio below 1.0x at closing.

Here is the current frac schedule in the \$330MM model that I sent earlier. The Enersight schedule already assumed an average of 20 completions per day, which includes a 4th frac crew coming online in Mar18 (and a 5th frac crew starting in May 2019). Since I pushed out Sep/Oct completions to Nov/Dec, that in essence already assumes a 4th frac crew by Nov/Dec 2017. So the underlying assumptions in Enersight must have been more aggressive than 4.3 stages/day per crew.

<image001.png>

Let me know if there are any other suggestions for increasing 2018 EBITDAX.

From: Hal H. Chappelle
Sent: Sunday, August 13, 2017 3:52 PM
To: Tamara Alsarraf <talsarraf@AltaMesa.net>
Cc: Kevin J. Bourque <kbourque@AltaMesa.net>; Michael A. McCabe <mmccabe@AltaMesa.net>; Tim Turner <tturner@AltaMesa.net>
Subject: Re: Reduced Rig Case Model

Mid-Sep

Sent from my iPhone

On Aug 13, 2017, at 3:50 PM, Tamara Alsarraf <talsarraf@AltaMesa.net> wrote:

When should the 4 frac crews start? Is Nov reasonable?

Sent from my iPhone

On Aug 13, 2017, at 3:27 PM, Kevin J. Bourque <kbourque@AltaMesa.net> wrote:

So I didn't allow MOB time between wells. 7stages/day plus 3 total move days from end of pump to start of pump gets us 4.3/stages per day average for 46 wells fraced by 4 crews in 90 days.

32 DUCs on the board today.

5 rigs will also drill an additional 32 wells in 90 days so wed stay about even on that count.

-----Original Message-----

From: Tamara Alsarraf [talsarraf@AltaMesa.net]

Received: Sunday, 13 Aug 2017, 3:21PM

To: Kevin J. Bourque [kbourque@AltaMesa.net]

CC: Michael A. McCabe [mmccabe@AltaMesa.net]; Hal H. Chappelle [hchappelle@AltaMesa.net]; Tim Turner [tturner@AltaMesa.net]

Subject: Re: Reduced Rig Case Model

Ok thanks. How many DUCs do you have right now? I'll need to make sure my model isn't already completing them through beginning of 2018, so that there isn't any double-counting.

Sent from my iPhone

On Aug 13, 2017, at 3:14 PM, Kevin J. Bourque <kbourque@AltaMesa.net> wrote:

Best case: 7 stages/day per crew with 34 stages per well. 55 wells @ 7 stages/day and 40 wells if we're closer to current average of 5 stages/day for 90 days.

-----Original Message-----

From: Tamara Alsarraf [talsarraf@AltaMesa.net]

Received: Sunday, 13 Aug 2017, 3:11PM

To: Michael A. McCabe [mmccabe@AltaMesa.net]; Kevin J. Bourque [kbourque@AltaMesa.net]

CC: Hal H. Chappelle [hchappelle@AltaMesa.net]; Tim Turner [tturner@AltaMesa.net]

Subject: Re: Reduced Rig Case Model

Ok - Kevin, can you let me know how many DUCs we can complete between Oct-Dec? The model I got from Kaitlyn last week had 42 completions over those 3 months.

Sent from my iPhone

On Aug 13, 2017, at 3:02 PM, Michael A. McCabe <mmccabe@AltaMesa.net> wrote:

We should try to – more Ducks that we can complete in November forward

-----Original Message-----

From: Kevin J. Bourque

Sent: Sunday, August 13, 2017 2:52 PM

To: Hal H. Chappelle <hchappelle@AltaMesa.net>; Tamara Alsarraf <talsarraf@AltaMesa.net>; Tim Turner <tturner@AltaMesa.net>

Cc: Michael A. McCabe <mmccabe@AltaMesa.net>

Subject: RE: Reduced Rig Case Model

We have enough locations with Hal's help. Need to have a discussion with Ellis about that question to get us all on the same page.

-----Original Message-----

From: Tamara Alsarraf [talsarraf@AltaMesa.net]

Received: Sunday, 13 Aug 2017, 2:46PM

To: Kevin J. Bourque [kbourque@AltaMesa.net]; Hal H. Chappelle [hchappelle@AltaMesa.net]; Tim Turner [tturner@AltaMesa.net]

CC: Michael A. McCabe [mmccabe@AltaMesa.net]

Subject: RE: Reduced Rig Case Model

Mike – do we still need to stay CF Neutral in Sep-Oct? That would affect our drilling and completions plans for those months. We could ramp up to more rigs in December, but this schedule already has 33 completions in Nov and December. And Kevin, do you think we would have enough wells tee-d up to have 7 rigs running in November?

-----Original Message-----

From: Kevin J. Bourque

Sent: Sunday, August 13, 2017 2:44 PM

To: Hal H. Chappelle <hchappelle@AltaMesa.net>; Tim Turner <tturner@AltaMesa.net>

Cc: Tamara Alsarraf <talsarraf@AltaMesa.net>; Michael A. McCabe <mmccabe@AltaMesa.net>

Subject: RE: Reduced Rig Case Model

We've added 2 SWD wells to the neat term list. SWD revenue lowers LOE when lower WI wells come online.

-----Original Message-----

From: Hal H. Chappelle [hchappelle@AltaMesa.net]

Received: Sunday, 13 Aug 2017, 2:42PM

To: Tim Turner [tturner@AltaMesa.net]

CC: Tamara Alsarraf [talsarraf@AltaMesa.net]; Michael A. McCabe [mmccabe@AltaMesa.net]; Kevin J.

Bourque [kbourque@AltaMesa.net]
Subject: Re: Reduced Rig Case Model

Got it. If Kevin could get our LOE down we would also have more ebitdax ...

Sent from my iPhone

On Aug 13, 2017, at 2:41 PM, Tim Turner <tturner@AltaMesa.net> wrote:

I think we can get there. Tamara's questions below revolve around whether we have the same constraints.

Tim

On Aug 13, 2017, at 2:36 PM, Hal H. Chappelle <hchappelle@AltaMesa.net> wrote:

We need a scenario that gives us \$350 in 2018. Perhaps faster rig ramp and/or higher WI (think EHU / Manning) wells in 2018 and/or "shifting December 2017 BCE activity to December 2018" by drilling @100% what would otherwise be BCE wells in Dec 17.

Sent from my iPhone

On Aug 13, 2017, at 2:31 PM, Tamara Alsarraf <talsarraf@AltaMesa.net> wrote:

I'm not sure if my response to this got lost in space for a few hours while on the plane or just isn't showing up in my "sent" box, so I'm resending. So, great minds think alike – I prepared the same schedule Tim suggested below. However, it only generates ~\$330MM of EBITDAX in 2018 using the consensus price deck. The way I am able to rationalize this, is that we were starting with a \$400mm scenario that had 10 rigs running at YE17, and this current one only has 7 rigs running by YE17.

Let me know if I'm incorrect in my assumptions:

- Neutral CF from ops during interim period (Aug-Oct).
- Net Debt leverage ratio below 1.0x at closing date of 10/31 and 12/31.

I was able to stay within those constraints using the rig plan below. With sale proceeds of \$100mm from Weeks Island sale, our projected net debt leverage ratio would be ~0.72x at YE17. Without the sale, it would be ~1.4x.
<image002.png>

Here are the updated drilling and completions schedules. Let me know your thoughts. Happy to hop on the phone later today if easier.

<image008.png><image009.png><image010.png>

Thanks,
Tamara

From: Tim Turner
Sent: Sunday, August 13, 2017 10:53 AM
To: Tamara Alsarraf <talsarraf@AltaMesa.net>; Hal H. Chappelle <hchappelle@AltaMesa.net>
Cc: Michael A. McCabe <mmccabe@AltaMesa.net>; Kevin J. Bourque <kbourque@AltaMesa.net>
Subject: RE: Reduced Rig Case Model

Relative to the last schedule (below), I would start with something like 9 in March 18, 10 in Jun, 11 in Sep and see where that gets us in 2018 EBITDAX (Any pushback Kevin?). We can adjust 2019 if needed once 2018 is good.

<image011.png>

-----Original Message-----

From: Tamara Alsarraf
Sent: Sunday, August 13, 2017 10:42 AM
To: Hal H. Chappelle <hchappelle@AltaMesa.net>
Cc: Tim Turner <tturner@AltaMesa.net>; Michael A. McCabe <mmccabe@AltaMesa.net>; Kevin J. Bourque <kbourque@AltaMesa.net>
Subject: RE: Reduced Rig Case Model

Ok I'll be working on this on the plane. I'll see what I can do staying within the constraints of net leverage below 1.0x at YE17. Also - would you suggest we stay at 10 rigs by YE18 or try and ramp up to 12?

-----Original Message-----

From: Hal H. Chappelle
Sent: Sunday, August 13, 2017 10:01 AM
To: Tamara Alsarraf <talsarraf@AltaMesa.net>
Cc: Tim Turner <tturner@AltaMesa.net>; Michael A. McCabe

<mmccabe@AltaMesa.net>; Kevin J. Bourque
 <kbourque@AltaMesa.net>
 Subject: Re: Reduced Rig Case Model

Ok superwoman, looks like we do need a \$350MM 2018 scenario.
 Give us some straw man and we will want to modify it this
 afternoon and arrive on an agreed plan.

Sent from my iPhone

> On Aug 12, 2017, at 6:46 PM, Tamara Alsarraf
 <talsarraf@AltaMesa.net> wrote:
 >
 > Ok sounds good. Our flight is at 10:50 CDT, so I'll be able to get
 online then.
 >
 > Sent from my iPhone
 >
 >> On Aug 12, 2017, at 4:46 PM, Hal H. Chappelle
 <hchappelle@AltaMesa.net> wrote:
 >>
 >> I will be talking this over tomorrow morning with Jim so you
 may want to wait until I get some feedback from that. Should be
 done by 9:30 am CDT
 >>
 >> Sent from my iPhone
 >>
 >>> On Aug 12, 2017, at 12:10 PM, Tamara Alsarraf
 <talsarraf@AltaMesa.net> wrote:
 >>>
 >>> Ok. Tomorrow I will create a model that ramps up more
 quickly in 2018 as Tim suggested. I will likely leave 2017 the same,
 as the current model has a less than 1.0x leverage ratio by YE.
 >>>
 >>> Sent from my iPhone
 >>>
 >>>> On Aug 12, 2017, at 11:07 AM, Hal H. Chappelle
 <hchappelle@AltaMesa.net> wrote:
 >>>>
 >>>> \$300MM is too low for the valuation we have
 >>>>
 >>>> Sent from my iPhone
 >>>>
 >>>>> On Aug 12, 2017, at 12:04 PM, Tamara Alsarraf
 <talsarraf@AltaMesa.net> wrote:
 >>>>>
 >>>>> At a wedding in CO, but I can work on this tomorrow. Mike -
 do you have thoughts on the below given the neutral CF for
 interim period? What about the \$300MM scenario we created last
 weekend?
 >>>>>
 >>>>> I don't have much service in areas out here but will respond
 when I can.
 >>>>>
 >>>>> Sent from my iPhone
 >>>>>
 >>>>>> On Aug 12, 2017, at 10:54 AM, Tim Turner
 <tturner@AltaMesa.net> wrote:
 >>>>>>
 >>>>>> Tamara,
 >>>>>>
 >>>>>>> Our presentation model shows \$400MM EBITDAX in 2018
 (consensus deck?) vs. \$310MM (consensus) \$274MM (nymex) in
 the scenario below. Could you sensitize a bit more to try to do two
 things: 1) minimize capex through November 2017 and 2) try to
 "split the difference" in 2018 (maybe \$350-\$360MM on
 consensus)? Thinking we could ramp rigs quarterly in 2018 from 8
 to 9 to 10 to 11 and then add one rig in future years to max of 16.
 Probably keep 2017 the same. Will that work? Thanks!
 >>>>>>>
 >>>>>>> Tim
 >>>>>>>
 >>>>>>> [cid:image001.jpg@01D31361.C220C7C0]
 >>>>>>>
 >>>>>>> From: Tamara Alsarraf
 >>>>>>> Sent: Sunday, August 06, 2017 5:24 PM
 >>>>>>> To: Hal H. Chappelle <hchappelle@AltaMesa.net>; Tim
 Turner <tturner@AltaMesa.net>; Michael A. McCabe
 <mmccabe@AltaMesa.net>
 >>>>>>> Cc: Dustin Bridges <dbridges@AltaMesa.net>
 >>>>>>> Subject: RE: Reduced Rig Case Model
 >>>>>>>
 >>>>>>> See below for a reduced rig model that produces
 ~\$300MM projected 2018 EBITDAX (\$310MM w/ consensus and
 \$275MM w/ strip). This model assumes a build up to 8 rigs by
 YE17, and then up to 10 rigs by mid-2018. It continues to add 2 rigs
 per year. The yearly financial summaries are pasted below. Let us
 know if you are good with this model. If so, we will send to Citi.
 >>>>>>>

>>>>> Total 2017 D&C Capex Deployed (includes drillco capex) changed from \$362MM in previous model to \$317MM in reduced rig model.
>>>>>
>>>>> Here is the drilling schedule. You will see that we still assume 4 BCE rigs running in Sep-Dec of this year.
>>>>> [cid:image003.png@01D31361.C220C7C0]
>>>>>
>>>>> 08/03 STRIP PRICE DECK:
>>>>> [cid:image005.png@01D31361.C220C7C0]
>>>>>
>>>>> 08/03 CONSENSUS DECK:
>>>>> [cid:image006.png@01D31361.C220C7C0]
>>>>>
>>>>> From: Hal H. Chappelle
>>>>> Sent: Sunday, August 06, 2017 1:02 PM
>>>>> To: Tamara Alsarraf
<talsarraf@AltaMesa.net<mailto:talsarraf@AltaMesa.net>>
>>>>> Cc: Tim Turner
<tturner@AltaMesa.net<mailto:tturner@AltaMesa.net>>; Michael A. McCabe
<mmccabe@AltaMesa.net<mailto:mmccabe@AltaMesa.net>>; Dustin Bridges
<dbridges@AltaMesa.net<mailto:dbridges@AltaMesa.net>>
>>>>> Subject: Re: Reduced Rig Case Model
>>>>>
>>>>> Yes, and please review internally before sending
>>>>>
>>>>> Sent from my iPhone
>>>>>
>>>>> On Aug 6, 2017, at 12:56 PM, Tamara Alsarraf
<talsarraf@AltaMesa.net<mailto:talsarraf@AltaMesa.net>> wrote:
>>>>> Is this the case that I will be creating today? With about \$300MM EBITDAX at the consensus deck?
>>>>>
>>>>> Sent from my iPhone
>>>>>
>>>>> Begin forwarded message:
>>>>> From: "O'Suji, Chinna "
<chinna.osuji@citi.com<mailto:chinna.osuji@citi.com>>
>>>>> To: "Tamara Alsarraf"
<talsarraf@AltaMesa.net<mailto:talsarraf@AltaMesa.net>>, "Dustin Bridges"
<dbridges@AltaMesa.net<mailto:dbridges@AltaMesa.net>>
>>>>> Cc: "Michael A. McCabe"
<mmccabe@AltaMesa.net<mailto:mmccabe@AltaMesa.net>>, "Deas, Derek "
<derek.deas@citi.com<mailto:derek.deas@citi.com>>, "Free, Logan "
<logan.free@citi.com<mailto:logan.free@citi.com>>, "Staha, Ryan "
<ryan.staha@citi.com<mailto:ryan.staha@citi.com>>, "Williams, Joshua1 "
<joshua1.williams@citi.com<mailto:joshua1.williams@citi.com>>, "Carmody, Nicole "
<nicole.carmody@citi.com<mailto:nicole.carmody@citi.com>>
>>>>> Subject: Reduced Rig Case Model
>>>>> Tamara and Dustin,
>>>>>
>>>>> Per discussions had over the weekend, we're looking to update various valuation scenarios based on your reduced rig case upstream model – are you able to provide us with the latest? We'd also need the version of your model with the KFM Inlet Volumes line items to avoid any confusion.
>>>>>
>>>>> We can use the strip / consensus pricing that we provided on Friday (re-attached here for reference). Would you be able to send the updated across this morning? We appreciate your help as always with this. Feel free to email or call with any questions.
>>>>>
>>>>> Best,
>>>>> Chinna
>>>>>
>>>>> Chinna E. O'Suji
>>>>> Citi | Investment Banking
>>>>> Global Energy Group
>>>>> 811 Main Street, Suite 3900
>>>>> Houston, TX 77002
>>>>>
>>>>> Tel: +1.713.821.4736
>>>>> [REDACTED]
>>>>> chinna.osuji@citi.com<mailto:chinna.osuji@citi.com>
>>>>>
>>>>> <Price Decks_v8.3.17.xlsx>
>>>>> <image001.jpg>
>>>>> <image003.png>
>>>>> <image005.png>
>>>>> <image006.png>
>>>>> <image001.jpg>

>>>> <image003.png>
>>>> <image005.png>
>>>> <image006.png>